Human Events *A Weekly Analysis for the American Citizen*
Combined with the Magazine ANALYSIS
Editorial Office 1710 Rhode Island Ave., N. W., WASHINGTON 6, D. C. *Telephone* NATIONAL 2066
VOL. VIII, NO. 33, *Issue Number* 394, AUGUST 15, 1951 ★ *Editor:* FRANK C. HANIGHEN ★ *Associate Editor:* FRANK CHODOROV

UNIVERSITY OF MINNESOTA RECEIVED AUG 20 '51 LAW

FROM MARSHALL PLAN TO MARTIAL PLAN

By William Henry Chamberlin

The Marshall Plan is becoming a martial plan. This is one of the strongest impressions which one brings back from a trip in Western Europe at the present time. It is symbolized by the Administration proposal to Congress to appropriate over six billion dollars in arms aid and over two billion dollars for economic aid to foreign countries during the next fiscal year.

Whether or not this will be the amount, it seems likely that a three-to-one proportion in favor of military aid, as distinguished from civilian, will be maintained. In the American Embassies and ECA missions in West European capitals, the emphasis today is on the strategic importance of future aid projects. (ECA missions have become almost second embassies in power and influence.)

In the main European headquarters of the ECA, on the rue St. Florentin, in Paris, there is a tendency among officials to speak of the non-military side of their work as finished. This seems a little overoptimistic. While Britain, its dollar reserves temporarily swelled by large receipts from the rubber, tin, wool and other primary products of the Commonwealth area, recently felt able to dispense with what Winston Churchill once bluntly called "the American dole", most of the continental European countries are still running dollar deficits. There has, however, been improvement in this field. The "dollar gap", the spread between what European countries considered their minimum needs from the dollar area and what they could pay, was at the fantastic figure of 7.5 billion dollars in 1947. It is now about 1.5 billion dollars.

Apart from special weak spots, such as Greece and Austria, Europe might have stood entirely on its own feet economically within another year or two -- provided its governments had practiced self-denial and sound fiscal policies and cut out some of the extravagances of the welfare state. Now the picture has changed and it is more difficult to set a time limit for the subsidization of Europe's armies than it was to set a term for financial aid to the European national economies.

During the first three years of its existence the ECA pumped about

Copyright 1951 by HUMAN EVENTS, INC.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

eleven billion dollars of American assistance into the anemic postwar European economic structure. The principal recipients were Great Britain ($2,706 millions); France ($2,278 millions); Italy ($1,228 millions); West Germany ($1,192 millions); the Netherlands ($958 millions).

II

ECA aid has been a two-way help to European countries. It has paid many of their bills for raw materials and, to a smaller extent, for foodstuffs. It has contributed a good deal to the re-equipment of their industries. At the same time it has provided an additional source of revenue in the form of what are called counterpart funds.

While much the greatest part of the ECA shipments has been in the form of free grants to governments, the users of these shipments have been required to pay in their national currencies. Proceeds of these sales are counterpart funds and have been used for various purposes approved by the ECA missions, to help stabilize currencies, finance housing and public improvements, etc.

Whether one trusts the evidence of one's senses as a traveler or delves into volumes of statistics, the evidence seems overwhelming that the economic health of Western Europe is much better today than it was in 1947 or 1948. People are better fed and better dressed; goods move more freely across frontiers; one begins to notice now, even in Germany, not only how much has been destroyed but how much has been built.

Part of the credit for this improvement belongs to the ECA, part to the return to sounder methods of finance and economics, part to the irrepressible impulse of human beings to rebuild, to start up farms and factories and stores again. Two things, however, the ECA failed to accomplish. It alleviated, but did not and could not cure the consequences of some of the worst social and economic dislocations of the war. And it did not create in Europe a more perfect economic union.

One of the reasons why the Netherlands, one of the most prosperous countries in Europe before the war, has felt obliged to draw so heavily on American aid, and is constantly in the red in its accounts with its neighbor, Belgium, is the loss of the rich Dutch empire in Indonesia. An important cause of France's inability to achieve budgetary stability is the endless, no-decision war in Indo-China. Germany's economic recovery, really brilliant in many ways, is clouded by the perpetual problem of how to absorb nine million expellees, driven destitute from their homes in East Germany, Poland, the Sudetenland and the Balkans. And ECA has furnished no solution for Italy's chronic overpopulation.

Progress toward closer economic unity has been slow and halting.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The EPU, or European Payments Union, a scheme sponsored and financed by the ECA, has smoothed the way for a resumption of multilateral trading. This has eased the pressure on European countries to conclude the constricting barter deals which were a feature of inter-European trade immediately after the war. But, despite much exhortation and some pressure from the American side, Europe has hardly achieved the goal of the free movement of men, goods and capital. The consequences were vividly described in General Eisenhower's recent speech in London:

"Progress has been and is hobbled by a web of customs barriers interlaced with bilateral agreements, multilateral cartels, local shortages and economic monstrosities . . . Europe . . . is divided by patchwork territorial fences. They pyramid every cost, with middlemen, tariffs, taxes and overheads. Barred, absolutely, are the efficient division of labor and resources and the easy flow of trade."

III

In the present shift from Marshall Plan to martial plan the emphasis changes; but some of the old problems remain. One hears less complaint about dollar shortages in European countries now, but more about the inflationary pressures of the Korean war and the Eureopean rearmament program, which threaten the relative currency stability that has been achieved during recent years.

During the first phase of the European recovery program, ECA representatives were constantly trying to strike a balance between what the European governments were inclined to ask and what Congress might be expected to approve. This same tug of war goes on, under different circumstances. The main issue is the division of the rearmament bill between the United States and its associates in the North Atlantic Pact.

Soon after I arrived in Rome an Italian Cabinet Minister was explaining to me that Italy was in full sympathy with the rearmament program -- but on condition that the United States would supply not only the raw materials necessary for munitions, but also consumption goods, so that the workers would have something to buy with their earnings.

An official of the Bank of France suggested to me that the Communist threat was social and economic, rather than military. He then developed the argument that it would be a good idea if the United States would go on subsidizing the French economy full blast and forget about this awkward and burdensome business of French rearmament. And on my first day in Bonn a German official developed the thesis that Germany's high rate of compulsory social expenditures on behalf of refugees and war victims should count as a contribution to European defense.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The resignation of Aneurin Bevan and Harold Wilson from the British Cabinet was based on the contention that Britain was being pressed by America to rearm beyond its economic strength. There will be some open and more secret pulling and hauling on this matter of paying the bills for the European armament effort, unless all signs fail.

IV

It is hard to see any realistic alternative to the United States policy of promoting the buildup of a unified European defense force. But the many nationalist and ideological divisions among the countries outside the Iron Curtain are a formidable obstacle to the effective realization of this project.

From a talk with the French War Minister, Jules Moch, one gets the impression that he regards Germany much more as an enemy than as a prospective ally. For personal reasons (Moch's son was killed by the Gestapo) Moch is probably more intransigent than the average non-Communist Frenchman. But, at a time when the Adenauer government needs all the foreign encouragement it can get to overcome the internal German resistance to rearmament, it has not, as yet, received much help from Paris.

A high point of unrealism is touched by the vocal British and French protests against such a common sense arrangement as an American military agreement with Spain. Taken in connection with the absence of protests against military aid to Tito's Yugoslavia, this development shows that fellow-traveler prejudices are by no means dead in London and Paris.

Two of the qualitatively best European armies, the Swiss and the Swedish, are outside the European defense scheme because of the neutrality traditions of these countries. (The Swiss army, incidentally, is larger than the number of troops France possesses in Europe.) Two of the largest European military forces, the Spanish and the Yugoslav, are excluded for other reasons.

The Marshall Plan failed of complete success because it did not become the basis of a true European economic union. The fate of the martial plan hangs in the balance for the same reason. Since American lives are at stake in the latter case, as against dollars in the former, it would seem that there is a challenge to American leadership to press strongly and consistently for such elementary necessities as the speediest possible rearming of Germany, the establishment of air and naval bases in Spain and, in general, the subordination of left wing crotchets and prejudices to national security needs.

Quotation up to a paragraph is permitted with credit to HUMAN EVENTS. For reproduction or more extensive quotation address requests to HUMAN EVENTS, 1710 Rhode Island Avenue, N. W., Washington 6, D. C. Trial subscription, three months for $3. Six months, $5.50. One year, $10. Two years, $18. Domestic airmail (including APO and FPO) one year, $12.00; foreign (regular mail) one year, $11. Foreign airmail rates on request. Please remit in U.S.A. DOLLARS. Allow two weeks for new subscriptions or change of address to become effective.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Not Merely Gossip *A Supplement to* Human Events Vol. VIII, No. 33

UNIVERSITY OF MINNESOTA RECEIVED AUG 20 '51 LIBRARY

By Frank C. Hanighen August 15, 1951

SORGE: Was there an American Sorge and who was he? This is the question asked in Congressional corridors since the startling revelations last week concerning the fabulous Communist agent, Richard Sorge, in Japan. Both the House Un-American and Senate Internal Security Committees extracted from General Willoughby, former head of MacArthur's Intelligence, the story of Sorge.

A German Communist who became an undercover Moscow agent, Sorge posed as a Nazi, and was sent to Japan by the Hitler Government. According to the testimony on the Hill, Sorge's information relayed to Moscow enabled the Red Army to leave its Asian front weak and to send many badly needed divisions to European Russia to save the day against the invading Germans.

But it was not merely as a gatherer of secret information that Sorge excelled. He also swayed Japanese high policy. He established connections with a number of Japanese in upper echelons of the Government, including Ozaki, an adviser to Premier Konoye. The master spy effectively sold these men (who in turn influenced Konoye) on the idea that Japan should not attack Siberia while Stalin was in trouble in European Russia; but should attack British possessions to the south, and the United States in the east. History has shown the success of Sorge's efforts.

But, the question persists -- was there a counterpart of Sorge in Washington, a Soviet agent, or a highly-placed fellow-traveler -- who influenced the White House and State Department to follow a policy which drove Japan to attack us?

* * * * *

REVISIONISM: Historians have taken an intense interest in the revelations on the Hill (described in the foregoing item). Men like Tansill, Morgenstern and Barnes find fresh, hitherto unpublished material in these hearings to confirm their theses about the entrance of the U.S. into World War II. These historians have been soberly gathering, collating and evaluating historical sources in an effort to get at the real truth behind the official propaganda picture of why we entered war. The testimony, for instance, of Mitsusada Yoshikawa, chief investigator of the Japanese Attorney General, represents real "pay dirt" for such historical writers.

Yoshikawa (brought over from Japan to Washington for the hearings) stated that members of the Sorge spy ring helped promote Japanese aggression against Britain and the U.S. in 1941. He said that the spy ring sent a striking message to Moscow early in October 1941, while U.S.-Japan peace talks were proceeding in Washington. He quoted the message as advising that "if America refuses to compromise by the middle of October, Japan will attack America, the Malay countries, Singapore and Sumatra". This spy report went on, "There will be war only if the talks [between the U.S. and Japan] break down, and there is no doubt that Japan is doing her best to bring them to a successful conclusion, even at the expense of her German ally."

Much historical research in postwar years indicates that the talks broke down because of the uncompromising attitude of the U.S. State Department. The State Department "ultimatum" delivered to the Japanese negotiators is now regarded as the blow which ended Japanese efforts to make a deal -- and thereby brought on war.

What -- so runs the question -- was the cause of this intransigent attitude (which thus played into Kremlin hands), and who were the officials responsible?

* * * * *

OATIS CASE: If the Truman Administration has any intention of doing something about the imprisonment of the AP correspondent in Prague, it has a curious way of showing

Copyright 1951 by HUMAN EVENTS, INC.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

it. This week it was announced that President Truman will receive at the White House the newly accredited Ambassador from Czechoslovakia.

Diplomats here in Washington are aghast at this news. The very least that could be done to show U.S. disgust with the "trial" and jailing of Oatis would be for the President to ignore the new head of mission from Prague. If the President does not understand this (which is quite likely), it is the business of the State Department to advise him. Diplomatic circles here conclude that the State Department has no serious intention of forcing the release of Oatis.

* * * * *

FORMOSA: The announcement that some $300 million of proposed foreign military and economic aid funds will be allocated to Formosa has given the dubious impression that the State Department has changed its spots. Last spring, the Acheson team reversed itself on the Formosa problem, verbally admitting that the island is a bastion of our strategic defenses. Actually, the State Department language was tricky, and this column warned that Acheson's boys had not abandoned the idea of ousting Chiang Kai-shek, who rules the island. In reality, State no more wants Chiang on our side than it does Franco -- and is attempting to lay the groundwork for a policy to undermine the Generalissimo's power in Formosa.

Last week, we revealed how State now seeks to infiltrate Spain with its agents, under the guise of administering economic aid, and how the U.S. military fear that State will thus cause much trouble, if not confusion damaging to military plans. This week, the same pattern of Acheson activity is seen in the announcement that $300 million will be allocated to Formosa. The proposed grant is contained (according to the Washington Post, August 9) in the Mutual Security Program now before Congressional committees. While the Post news story speaks of arms to modernize Chiang's army on Formosa, it also mentions that almost half of the appropriation would be for economic help.

It is through this back door of economic aid that, just as in the case of plans for Spain, State Department agents would enter the Formosan situation and exert influence not of a kind to strengthen the Chiang regime on the island. It is noted that Assistant Secretary of State Dean Rusk's name is associated with the aid project. Rusk is the Acheson aide who used the "tricky" language last spring to give the impression that the Department supports the Nationalist Government. More and more it is feared that Acheson's men have not changed their long-term plan to get rid of Chiang Kai-shek.

* * * * *

THE REAL IMPORTANCE OF SPAIN: Although they say little about it, the boys in the Pentagon are taking far more satisfaction from our deal with Franco than is generally realized. For, they presently assign to Spain as an ally infinitely greater importance than they disclose to the press.

To the public, Spain appears as a guardian of the straits of Gibraltar: to deny it to the Russians is the major gain from Admiral Sherman's deal; or the Pyrenees now will stand as the final barrier if Russian legions sweep over Europe and Western troops retreat into the Iberian peninsula, there to re-form for a campaign to regain the rest of the Continent, etc., etc. Thus the general view. But, actually, however valuable these advantages, there is a far more potent reason why our air-minded strategists consider Spain a prize of great magnitude.

Briefly, the deal offers an alternative air base from which American heavy bombers could threaten Russia. Two other bases -- Britain and North Africa -- have long been earmarked for this role; and in general Britain as such a base has been regarded as the principal challenge and deterrent to Russian power. However, doubts have arisen about the solidity of North Africa and Britain. The rise of Arab and Moslem feeling against the West suggests that we may not be able to count on the friendship

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of native populations in North Africa. As for Britain, there are grave apprehensions. The rise of the left-wing power of Aneurin Bevan, the appeasement tone of British Foreign Office diplomacy, war-weariness of the British people -- all suggest an unreliable ally. Also, if Russian troops sweep to the Channel, Britain's industrial areas will be extremely vulnerable to guided missile attack. If Britain were our only air base in Western Europe, then U.S. attempts to offer a threat to Russian power would have a highly uncertain future.

But, Spain offers an alternative base and thereby greatly relieves and emboldens our military. The latter are no less happy since the move strengthens their hand in their relations with an old, but increasingly demanding ally. Hence, the great outcry in London against the deal with Spain. Britain's bargaining power, vis-a-vis the U.S.A., has suffered a severe blow thereby. When Britain held the strong card, its position as the only big air base for U.S. planes in Western Europe, British leaders could haggle with our military leaders about all sorts of policies and situations around the world. If the U.S. military are not hobbled by the State Department and assert their decisive role in world planning, they should now -- because of Spain -- be able to move with a much freer hand.

* * * * *

BYRD OF VIRGINIA: If Senator Harry F. Byrd of Virginia has aspirations for higher office, last week's elections in his state promise him a solid home base from which to operate. The State Democratic organization headed by Byrd retained control of the State legislature in the Democratic primaries, which in this southern state actually signifies victory in the November elections. Opposition candidates won only a handful of seats. Two years ago, Byrd's candidate, John S. Battle, won the governorship against an opponent who was backed by the Fair Deal. It is evident that today Virginia is strongly for her senior Senator and his ideas.

This victory can bring no comfort to the White House. It is noted that Mr. Frank S. Richeson, who is a leader in the Byrd organization, won the nomination for the State Senate. Richeson headed the Dixiecrat organization in Virginia in 1948. After the '28 election, when many Southern politicians bolted the Democratic ticket headed by Al Smith, the organization thereafter refused them places on tickets. Not so in Virginia today -- Richeson, technically a "renegade", is an honored candidate on the ticket. This case suggests that revolt against the Truman regime in the South has gone so far that it involves no penalties.

The Virginia result makes clear that Byrd enjoys firm support for whatever he may wish to do in the coming year. But what does he want? It is believed among those who know him that the Senator has come to the conclusion that 1952 is his "year of decision". He stayed aloof from the revolt in '48, but now, it is thought, he will "shoot the works". He might well accept leadership in a GOP-Southern Democrat alliance or even candidacy for the Presidency of such a ticket if formed; or he might simply head a Southern Democratic ticket opposing a Truman candidacy. He is laying the groundwork for radical action by his current speeches against the Truman Administration. An assumption that a Southern break with the Truman machine must come in '52 is implicit in his remarks. If this interpretation of Byrd's attitude is correct, Byrd is destined for an historic role in the coming year.

* * * * *

DOUBTS ABOUT DUFF: Recent developments in Pennsylvania GOP politics have stimulated doubts among politicians that Senator Duff of Pennsylvania can really exert much influence in behalf of Eisenhower and against Taft in next year's convention. The Senator has strongly backed the General for President, and is known to be an active opponent of the nomination of Senator Taft. In 1950 he decisively defeated his opposition in the Pennsylvania GOP, led by Grundy and Owlett, won the nomination for Senator and was elected. That achievement up until now has led many observers to

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

think that he could control and deliver the 73 votes of the Pennsylvania delegation to the GOP convention in Chicago next summer. But, on the other hand:

(1) In the county GOP primary elections, held in Pennsylvania on July 24, the candidates supported by Duff did not do well in comparison with those backed by the Grundy-Owlett group. A number of personalities known to be Duff men were defeated. The results of these contests will be felt in the courthouses and cannot fail to have effects on the complexion of the delegation to the National Convention next year.

(2) It is very likely that the Senator has lost some of his former grip on affairs in Harrisburg. He no longer controls the state bureaucracy which numbers more than 40,000 employees. Governor Fine (originally a Duff man) is said to have turned against the Senator, for various reasons. Fine reportedly wants "to run his own show", resents Duff interference and is not happy about the fiscal situation he inherited from Duff. Already, he has to play ball with the Owlett-Grundy group who hold the balance of power in the Pennsylvania Senate. Finally, criticism of Duff is rising, because of the large debt which he created during his terms of office. "It is the absent who are always wrong."

(3) But the most persuasive argument raised by the Senator's enemies and former friends is a bit of history. At the 1948 GOP convention, Duff controlled only 28 members of the 73-member Pennsylvania delegation on the first ballot. At that time Duff was Governor, with all the great power and influence thereof. If he could deliver only 28 votes in 1948, why should he expect to control the whole delegation in 1952? It's not an easy question to answer -- and other backers of Eisenhower are not too much impressed by Duff.

* * * * *

MUNDT PLAN: The best pamphlet on the proposed alliance of Republicans and Southern Democrats comes from the pen of Mr. James M. Thomson. A former publisher of the New Orleans Item, and familiar with political mechanics, Thomson gives a hardheaded, practical view of the whole problem. He says: "In the opinion of this writer, whose lifetime has been spent in the south and border states, an amalgamation of the old line Democrats and old line Republicans can carry almost every state in the Union, thus insuring the election of a President of their choice." Mr. Thomson shows how -- with convincing statistics. The brochure, The Mundt Plan Practicable, may be obtained from James M. Thomson, Gaylord, Clarke County, Virginia.

* * * * *

INFLATIONARY TAXATION: Advocates of taxation "to curb inflation" include such bigwigs as the National Association of Manufacturers and the Twentieth Century Fund -- "conservative" economists. Yet, their argument is based on a half-truth only.

If the consumer does not have the money, to be sure, he cannot bid up prices. But, since the taxes are spent for goods which are destroyed or wasted, they represent a diminution of the consumable goods in the market place. If nobody had any purchasing power, it would make no difference whether the supply were increased, diminished or stayed put; there would be no prices; and there would be no production.

But, despite taxes, despite everything, there are some who have spendable income, and some have more than others. Those who have spendable income are bidders, and those who have more spendable income than others will determine the prices. Because of taxes, they may be forced to go without meat, and in that case, meat prices will not rise; but, if they take their spendable income into the automobile market, the price of automobiles will rise. The effect of increasing taxes is to hold down the price of some things, but not all things. The marginal satisfactions may suffer, and so will the marginal buyer. But, the prices of what the "effective demand" can lay its hands on must go up because of the short supply caused by government waste. Inflation can be curbed only by stopping waste, not by levying taxes.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED